



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

September 10, 2003

MEMORANDUM FOR VAN ZECK, COMMISSIONER  
BUREAU OF THE PUBLIC DEBT

FROM: William H. Pugh, *William H. Pugh*  
Deputy Assistant Inspector General  
for Financial Management and Information  
Technology Audits

SUBJECT: Report on Controls Placed in Operation and Tests  
of Operating Effectiveness for the Treasury Bureau  
of the Public Debt Administrative Resource Center  
Accounting Services Division for the  
Period July 1, 2002 to June 30, 2003

I am pleased to transmit the attached Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Administrative Resource Center Accounting Services Division for the Period July 1, 2002 to June 30, 2003. We contracted with the independent certified public accounting firm of KPMG LLP, an Independent Public Accountant (IPA), to review the Bureau of the Public Debt (BPD) accounting services provided to various Federal Government agencies (Customer Agencies) for the Period July 1, 2002 to June 30, 2003. These services were provided by the BPD's Administrative Resource Center Accounting Services Division. The contract required that the examination be performed in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Statement on Auditing Standards Number 70, *Reports on the Processing of Transactions by Service Organizations*, as amended.

The following IPA reports are incorporated in the attachment:

- Independent Service Auditors' Report; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

In its examination of the BPD's Administrative Resource Center Accounting Services Division, KPMG LLP found:

- the *Description of Controls Provided by the BPD* presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of June 30, 2003,
- that these controls are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and the Customer Agencies applied the controls contemplated in the design of BPD's controls,
- that the controls tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives were achieved during the period from July 1, 2002 to June 30, 2003, and
- no instances of reportable noncompliance with laws and regulations tested.

In connection with the contract, we reviewed KPMG LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BPD's description of controls, the suitability of the design of these controls and the operating effectiveness of controls tested; or a conclusion on compliance with laws and regulations. KPMG LLP is responsible for the attached auditor's report dated July 24, 2003 and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5430, or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment



One Mellon Center  
Pittsburgh, PA 15219

Telephone 412 391 9710  
Fax 412 391 8963

Inspector General, U.S. Department of the Treasury  
Commissioner, Bureau of the Public Debt  
Director, Administrative Resource Center  
Director, Accounting Services Division

We have examined the accompanying description of the accounting and general computer controls related to the Administrative Resources Center's Accounting Services Division (ASD) of the Bureau of the Public Debt (BPD). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of BPD's controls that may be relevant to Customer Agencies' internal control as it relates to an audit of financial statements, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and the Customer Agencies applied the controls contemplated in the design of BPD's controls, and (3) such controls had been placed in operation as of June 30, 2003. The control objectives were specified by BPD. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants, and applicable *Government Auditing Standards*, issued by the Comptroller General of the United States, and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description presents fairly, in all material respects, the relevant aspects of BPD's controls that had been placed in operation as of June 30, 2003. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and the Customer Agencies applied the controls contemplated in the design of BPD's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specified controls, which are presented in Section III of this report, to obtain evidence about their effectiveness in meeting the control objectives, described in Section III, during the period from July 1, 2002, to June 30, 2003. The specific controls and the nature, timing, extent, and results of the tests are listed in Section III. This information is being provided to Customer Agencies and their auditors to be taken into consideration, along with information about internal controls at the Customer Agencies, when making assessments of control risk for the Customer Agencies. In our opinion the controls that were tested, as described in Section III of this report, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section III were achieved during the period from July 1, 2002, to June 30, 2003.

The relative effectiveness and significance of specific controls at BPD and their effect on assessments of control risk at the Customer Agencies are dependent on their interaction with the controls and other factors present at individual Customer Agencies. We have performed no procedures to evaluate the effectiveness of controls at individual Customer Agencies.

The description of controls is as of June 30, 2003, and information about tests of the operating effectiveness of specified controls covers the period from July 1, 2002 to June 30, 2003. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of



specified controls is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

The information in Section IV is presented by BPD to provide additional information and is not a part of BPD's description of controls that may be relevant to the Customer Agencies' internal control. The information in Section IV has not been subjected to the procedures applied in the examination of the description of the controls and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of BPD Customer Agencies, their independent auditors, U.S. Department of the Treasury Office of Inspector General, Office of Management and Budget, General Accounting Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

July 24, 2003



One Mellon Center  
Pittsburgh, PA 15219

Telephone 412 391 9710  
Fax 412 391 8963

Inspector General, U.S. Department of the Treasury  
Commissioner, Bureau of the Public Debt  
Director, Administrative Resource Center  
Director, Accounting Services Division:

We have examined the accompanying description of the accounting and general computer controls related to the Administrative Resources Center's (ARC) Accounting Services Division (ASD) of the Bureau of the Public Debt (BPD) as of June 30, 2003, and have issued our report thereon dated July 24, 2003. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants, and applicable *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our examination included procedures to obtain reasonable assurance about whether (1) the description of controls included in Section II presents fairly, in all material respects, the aspects of BPD's controls that may be relevant to Customer Agencies' internal control as it relates to an audit of financial statements, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and the Customer Agencies applied the controls contemplated in the design of the controls, and (3) such controls had been placed in operation as of June 30, 2003. The control objectives were specified by BPD. Our examination included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

Compliance with laws and regulations applicable to ASD of BPD is the responsibility of BPD management. As part of obtaining reasonable assurance about whether control structure policies and procedures tested were operating with sufficient effectiveness to achieve the related control objectives during the period from July 1, 2002, to June 30, 2003, we performed tests of BPD's compliance with certain provisions of applicable laws and regulations directly and materially affecting the accounting and general computer controls. We limited our tests of compliance to these provisions and we did not test compliance with all applicable laws and regulations. The objective of our examination was not, however, to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of BPD, Customer Agencies and their independent auditors, U.S. Department of the Treasury Office of Inspector General, Office of Management and Budget, General Accounting Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

July 24, 2003